

BEFORE THE
CALIFORNIA BOARD OF ACCOUNTANCY
DEPARTMENT OF CONSUMER AFFAIRS
STATE OF CALIFORNIA

In the Matter of the Statement of Issues
Against:

JYOTHI NARAYAN
38758 Stone Canyon Road
Murietta, CA 92563

Certified Public Accountant
Certificate Applicant

Respondent.


Case No. SI-2017-69

DECISION AND ORDER

The attached Stipulated Settlement and Disciplinary Order is hereby adopted by the California Board of Accountancy, Department of Consumer Affairs, as its Decision in this matter.

This Decision shall become effective on 9/1/2017.

It is so ORDERED 7/21/2017.



FOR THE CALIFORNIA BOARD OF
ACCOUNTANCY
DEPARTMENT OF CONSUMER AFFAIRS

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Attorneys for Complainant

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9 **BEFORE THE**
CALIFORNIA BOARD OF ACCOUNTANCY
DEPARTMENT OF CONSUMER AFFAIRS
10 **STATE OF CALIFORNIA**

11 In the Matter of the Statement of Issues
12 Against:

Case No. SI-2017-69

13 **JYOTHI NARAYAN**
38758 Stone Canyon Road
14 Murietta, CA 92563

**STIPULATED SETTLEMENT AND
DISCIPLINARY ORDER**

15 **Certified Public Accountant**
16 **Certificate Applicant**

Respondent.

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19 IT IS HEREBY STIPULATED AND AGREED by and between the parties to the above-
20 entitled proceedings that the following matters are true;

21 **PARTIES**

22 1. Patti Bowers (Complainant) is the Executive Officer of the California Board of
23 Accountancy (CBA). She brought this action solely in her official capacity and is represented in
24 this matter by Xavier Becerra, Attorney General of the State of California, by Carl W. Sonne,
25 Deputy Attorney General.

26 2. Respondent Jyothi Narayan (Respondent) is represented in this proceeding by
27 attorney Nicole C. Orjiakor, 2000 Avenue of the Stars, Suite 400 North Tower, Los Angeles,
28 Calif. 90067.

1 3. On or about May 19, 2016, Respondent filed an application dated April 30, 2016,
2 with the CBA to obtain a Certified Public Accountant Certificate.

3 JURISDICTION

4 4. First Amended Statement of Issues No. SI-2017-69 was filed before the CBA, and is
5 currently pending against Respondent. The First Amended Statement of Issues and all other
6 statutorily required documents were properly served on Respondent on July 11, 2017.

7 5. A copy of First Amended Statement of Issues No. SI-2017-69 is attached as Exhibit
8 A and incorporated herein by reference.

9 ADVISEMENT AND WAIVERS

10 6. Respondent has carefully read, fully discussed with counsel, and understands the
11 charges and allegations in First Amended Statement of Issues No. SI-2017-69. Respondent has
12 also carefully read, fully discussed with counsel, and understands the effects of this Stipulated
13 Settlement and Disciplinary Order.

14 7. Respondent is fully aware of her legal rights in this matter, including the right to a
15 hearing on the charges and allegations in the First Amended Statement of Issues; the right to
16 confront and cross-examine the witnesses against her; the right to present evidence and to testify
17 on her own behalf; the right to the issuance of subpoenas to compel the attendance of witnesses
18 and the production of documents; the right to reconsideration and court review of an adverse
19 decision; and all other rights accorded by the California Administrative Procedure Act and other
20 applicable laws.

21 8. Respondent voluntarily, knowingly, and intelligently waives and gives up each and
22 every right set forth above.

23 CULPABILITY

24 9. Respondent admits the truth of each and every charge and allegation in First
25 Amended Statement of Issues No. SI-2017-69.

26 10. Respondent agrees that her Certified Public Accountant Certificate is subject to denial
27 for the reasons stated in the First Amended Statement of Issues and she agrees to be bound by the
28 CBA's probationary terms as set forth in the Disciplinary Order below.

CONTINGENCY

11. This stipulation shall be subject to approval by the California Board of Accountancy. Respondent understands and agrees that counsel for Complainant and the staff of the California Board of Accountancy may communicate directly with the CBA regarding this stipulation and settlement, without notice to or participation by Respondent or her counsel. By signing the stipulation, Respondent understands and agrees that she may not withdraw her agreement or seek to rescind the stipulation prior to the time the CBA considers and acts upon it. If the CBA fails to adopt this stipulation as its Decision and Order, the Stipulated Settlement and Disciplinary Order shall be of no force or effect, except for this paragraph, it shall be inadmissible in any legal action between the parties, and the CBA shall not be disqualified from further action by having considered this matter.

12. The parties understand and agree that Portable Document Format (PDF) and facsimile copies of this Stipulated Settlement and Disciplinary Order, including PDF and facsimile signatures thereto, shall have the same force and effect as the originals.

13. This Stipulated Settlement and Disciplinary Order is intended by the parties to be an integrated writing representing the complete, final, and exclusive embodiment of their agreement. It supersedes any and all prior or contemporaneous agreements, understandings, discussions, negotiations, and commitments (written or oral). This Stipulated Settlement and Disciplinary Order may not be altered, amended, modified, supplemented, or otherwise changed except by a writing executed by an authorized representative of each of the parties.

14. In consideration of the foregoing admissions and stipulations, the parties agree that the CBA may, without further notice or formal proceeding, issue and enter the following Disciplinary Order:

DISCIPLINARY ORDER

IT IS HEREBY ORDERED that upon meeting all pre-licensure requirements a Certified Public Accountant Certificate will be issued to Respondent Jyothi Narayan and immediately revoked. The revocation will be stayed and the Respondent placed on three (3) years probation on the following terms and conditions.

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2 1. **Obey All Laws**

3 Respondent shall obey all federal, California, other states' and local laws, including those
4 rules relating to the practice of public accountancy in California.

5 2. **Submit Written Reports**

6 Respondent shall submit, within 10 days of completion of the quarter, written reports to the
7 CBA on a form obtained from the CBA. The Respondent shall submit, under penalty of perjury,
8 such other written reports, declarations, and verification of actions as are required. These
9 declarations shall contain statements relative to Respondent's compliance with all the terms and
10 conditions of probation. Respondent shall immediately execute all release of information forms
11 as may be required by the CBA or its representatives.

12 3. **Personal Appearances**

13 Respondent shall, during the period of probation, appear in person at interviews/meetings as
14 directed by the CBA or its designated representatives, provided such notification is accomplished
15 in a timely manner.

16 4. **Comply With Probation**

17 Respondent shall fully comply with the terms and conditions of the probation imposed by
18 the CBA and shall cooperate fully with representatives of the California Board of Accountancy in
19 its monitoring and investigation of the Respondent's compliance with probation terms and
20 conditions.

21 5. **Practice Investigation**

22 Respondent shall be subject to, and shall permit, a practice investigation of the
23 Respondent's professional practice. Such a practice investigation shall be conducted by
24 representatives of the CBA, provided notification of such review is accomplished in a timely
25 manner.

26 6. **Comply With Citations**

27 Respondent shall comply with all final orders resulting from citations issued by the
28 California Board of Accountancy.

1 7. **Tolling of Probation for Out-of-State Residence/Practice**

2 In the event Respondent should leave California to reside or practice outside this state,
3 Respondent must notify the CBA in writing of the dates of departure and return. Periods of non-
4 California residency or practice outside the state shall not apply to reduction of the probationary
5 period, or of any suspension. No obligation imposed herein, including requirements to file
6 written reports, shall be suspended or otherwise affected by such periods of out-of-state residency
7 or practice except at the written direction of the CBA.

8 8. **Violation of Probation**

9 If Respondent violates probation in any respect, the CBA, after giving Respondent notice
10 and an opportunity to be heard, may revoke probation and carry out the disciplinary order that
11 was stayed. If an accusation or a petition to revoke probation is filed against Respondent during
12 probation, the CBA shall have continuing jurisdiction until the matter is final, and the period of
13 probation shall be extended until the matter is final.

14 The CBA's Executive Officer may issue a citation under California Code of Regulations,
15 Section 95, to a licensee for a violation of a term or condition contained in a decision placing that
16 licensee on probation.

17 9. **Completion of Probation**

18 Upon successful completion of probation, Respondent's license will be fully restored.

19 10. **Ethics Continuing Education**

20 Within 180 days of the effective date of this Order, Respondent shall complete four hours
21 of continuing education in course subject matter pertaining to the following: a review of
22 nationally recognized codes of conduct emphasizing how the codes relate to professional
23 responsibilities; case-based instruction focusing on real-life situational learning; ethical dilemmas
24 facing the accounting profession; or business ethics, ethical sensitivity, and consumer
25 expectations. Courses must be a minimum of one hour as described in California Code of
26 Regulations Section 88.2. This course will be in addition to the continuing education
27 requirements for license renewal.

28 If Respondent fails to complete said courses within the time period provided, Respondent

1 shall so notify the CBA and shall cease practice until Respondent completes said courses, has
2 submitted proof of same to the CBA, and has been notified by the CBA that he or she may
3 resume practice. Failure to complete the required within the time period provided shall constitute
4 a violation of probation.

5 11. Regulatory Review Course

6 Within 180 days of the effective date of this Order, Respondent shall complete a CBA-
7 approved course on the provisions of the California Accountancy Act and the CBA Regulations
8 specific to the practice of public accountancy in California emphasizing the provisions applicable
9 to current practice. The course also will include an overview of historic and recent disciplinary
10 actions taken by the CBA, highlighting the misconduct which led to licensees being disciplined.
11 This course will be in addition to the continuing education requirements for license renewal.

12 If Respondent fails to complete said courses within the time period provided, Respondent
13 shall so notify the CBA and shall cease practice until Respondent completes said courses, has
14 submitted proof of same to the CBA, and has been notified by the CBA that he or she may
15 resume practice. Failure to complete the required courses within the time period provided shall
16 constitute a violation of probation.

17 12. Active License Status

18 Respondent shall at all times maintain an active license status with the CBA, including
19 during any period of suspension. If the license is expired at the time the CBA's decision becomes
20 effective, the license must be renewed within 30 days of the effective date of the decision.

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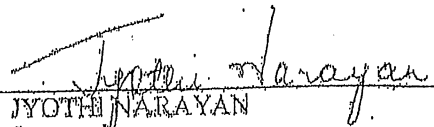
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ACCEPTANCE

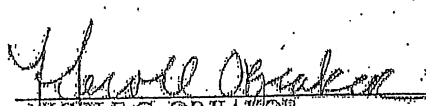
I have carefully read the above Stipulated Settlement and Disciplinary Order and have fully discussed it with my attorney, Nicole C. Orjiakor. I understand the stipulation and the effect it will have on my Certified Public Accountant Certificate. I enter into this Stipulated Settlement and Disciplinary Order voluntarily, knowingly, and intelligently, and agree to be bound by the Decision and Order of the California Board of Accountancy.

DATED: 7/11/17


JYOTHI NARAYAN
Respondent

I have read and fully discussed with Respondent Jyothi Narayan the terms and conditions and other matters contained in the above Stipulated Settlement and Disciplinary Order. I approve its form and content.

DATED: 7/12/17


NICOLE C. ORJIAKOR
Attorney for Respondent


ENDORSEMENT

The foregoing Stipulated Settlement and Disciplinary Order is hereby respectfully submitted for consideration by the California Board of Accountancy.

Dated: 7/12/2017

Respectfully submitted,

XAVIER BECERRA
Attorney General of California
JAMES M. LEDAKIS
Supervising Deputy Attorney General


CARL W. SONNE
Deputy Attorney General
Attorneys for Complainant

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CALIFORNIA BOARD OF ACCOUNTANCY
DEPARTMENT OF CONSUMER AFFAIRS
10 **STATE OF CALIFORNIA**

11 In the Matter of the Statement of Issues Against:

Case No. SI-2017-69

12 **JYOTHI NARAYAN**

13 **Certified Public Accountant**
14 **License Applicant**

**FIRST AMENDED STATEMENT OF
ISSUES**

15 Respondent.

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18 Complainant alleges:

19 **PARTIES**

20 1. Patti Bowers (Complainant) brings this First Amended Statement of Issues solely in
21 her official capacity as the Executive Officer of the California Board of Accountancy (CBA),
22 Department of Consumer Affairs.

23 2. On or about May 19, 2016, the CBA, Department of Consumer Affairs received an
24 application for a Certified Public Accountant Certificate from Jyothi Narayan (Respondent). On
25 or about April 30, 2016, Jyothi Narayan certified under penalty of perjury to the truthfulness of
26 all statements, answers, and representations in the application. The CBA denied the application
27 on January 5, 2017.

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JURISDICTION

3. This First Amended Statement of Issues is brought before the CBA, Department of Consumer Affairs, under the authority of the following laws. All section references are to the Business and Professions Code unless otherwise indicated.

4. Section 475 of the Code states:

"(a) Notwithstanding any other provisions of this code, the provisions of this division shall govern the denial of licenses on the grounds of:

"(4) Commission of any act which, if done by a licentiate of the business or profession in question, would be grounds for suspension or revocation of license.

5. Section 480 of the Code states:

"(a) A board may deny a license regulated by this code on the grounds that the applicant has one of the following:

"(3) (A) Done any act that if done by a licentiate of the business or profession in question, would be grounds for suspension or revocation of license.

"(B) The board may deny a license pursuant to this subdivision only if the crime or act is substantially related to the qualifications, functions, or duties of the business or profession for which application is made.

6. Section 5100 states:

"After notice and hearing the board may revoke, suspend, or refuse to renew any permit or certificate granted under Article 4 (commencing with Section 5070) and Article 5 (commencing with Section 5080), or may censure the holder of that permit or certificate for unprofessional conduct that includes, but is not limited to, one or any combination of the following causes:

"(g) Willful violation of this chapter or any rule or regulation promulgated by the board under the authority granted under this chapter.

"(l) The imposition of any discipline, penalty, or sanction on a registered public accounting firm or any associated person of such firm, or both, or on any other holder of a permit, certificate, license, or other authority to practice in this state, by the Public Company Accounting Oversight Board or the United States Securities and Exchange Commission, or their designees under the Sarbanes-Oxley Act of 2002 or other federal legislation."

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1 REGULATIONS

2 7. California Code of Regulations, title 16, section 58 (Board Rule 58), provides that
3 licensees engaged in the practice of public accountancy shall comply with all applicable
4 professional standards, including but not limited to generally accepted accounting principles and
5 generally accepted auditing standards.

6 8. California Code of Regulations, title 16, section 68.4 (Board Rule 68.4), states:

7 (a) Audit documentation that is not completed prior to the date of issuance of the
8 report shall be completed during the document assembly period specified in this
subsection.

9 (1) The document assembly period is the 60-day period following the date of issuance
10 of the report. If the report is not issued in connection with such an engagement, the
document assembly period ends 60 days after the date that the fieldwork was
11 completed. If the auditor was unable to complete such an engagement, then the
document assembly period ends 60 days from the date the engagement ceased.

12 (2) Notwithstanding the document assembly period specified in paragraph (1) of this
13 subsection, licensees shall comply with applicable professional standards specifying a
shorter document assembly period.

14 (b) After the end of the document assembly period, any, removal, deletion,
15 substitution, or editing of audit documentation, is prohibited. Additions to audit
documentation shall comply with the requirements in subsection (c).

16 (c) In addition to any other documentation required by professional standards, any
17 addition to audit documentation after the end of the document assembly period shall
include the following: 1) the reason for the addition, 2) the identity of the persons
18 preparing and approving the addition, and 3) the date of the addition. The
documentation which is added shall contain sufficient detail to enable a reviewer with
19 relevant knowledge and experience, having no previous connection with the audit
engagement, to understand the nature, timing, reason for, and extent of the addition.

20 (d) Nothing in this section authorizes the deferral of audit procedures required to be
21 performed prior to the date of issuance of the report.

22 FACTS

23 9. On or about November 13, 2012, pursuant to an Order Instituting Disciplinary
24 Proceedings, Making Findings and Imposing Sanctions in the disciplinary proceeding titled "*In*
25 *the Matter of Dale Arnold Hotz, CPA, Jyothi Nuthulaganti Manohar*¹, CPA, and Michael Jared
26 *Fadner, CPA*", PCAOB Release No. 105-2012-008 (Order), the Public Company Accounting
27 Oversight Board (PCAOB) censured Respondent and barred her from being an associated person

28 ¹ Respondent subsequently changed her name to Jyothi Narayan.

1 of a registered public accounting firm for a period of one year. The PCAOB's disciplinary action
2 was based on Respondent's violation of PCAOB rules and auditing standards in connection with
3 the improper creation, addition, alteration and/or backdating of audit documentation prior to a
4 Board inspection,

5 10. At the time of the November, 2012 Order, the Respondent was a director at
6 McGladrey & Pullen, LLP's (M&P) Blue Bell, at its Pennsylvania office. M&P had been the
7 independent auditor for the "Company" (whose identity is not disclosed in the PCAOB Order)
8 since March 2007, and it issued an audit report expressing an unqualified opinion on the
9 Company's December 31, 2009 financial statements. The Respondent served as engagement
10 manager on this audit. Her work was supervised by one of the other subjects of the PCAOB
11 Order, Dale A. Hotz, a former California licensed CPA. Respondent supervised junior members
12 of the team, and she had responsibility for ensuring compliance with PCAOB rules and auditing
13 standards related to the audit.

14 11. The PCAOB Order states that the Respondent violated PCAOB Rule 4006, *Duty to*
15 *Cooperate with Inspectors*, and AS3, *Audit Documentation*. (Standards applicable to the
16 performance of a public company audit are discussed in Auditing Standards codified by the
17 PCAOB and referred to by "AS" numbers.) Specifically, the PCAOB, after its investigation,
18 found that Respondent made the following alterations or additions to the work papers after the
19 engagement finalization date and in advance of a PCAOB inspection as follows:

20 (i) "Fadner Altered and Backdated the Cash Flow Worksheet, and Upon
21 [Respondent] Manohar's Instructions, Fadner Improperly Added the Cash Flow
22 Worksheet to the Hard Copy Work Papers;"

23 (ii) "[Respondent] Manohar and Fadner Improperly Added the Engagement
24 Letter with Original Client Signature to the Hard Copy Work Papers"; and

25 (iii) "Hotz and [Respondent] Manohar Created the Fair Value Memorandum
26 and Improperly Added it to the Hard Copy Work Papers."

27 12. The PCAOB Order found that the misleading documents were provided to the
28 PCAOB during its inspection, as follows:

1 "Misleading Documents Provided to the Board During the Board's Inspection

2 35. Field work for the Board's Inspection took place during the week of December 6,
3 2010. On December 6, 2010, Fadner delivered the hard copy work papers to the
4 Board's inspectors, including the documents that were improperly created, backdated,
5 and/or added to the hard copy work papers shortly before the Board's Inspection field
6 work commenced. The hard copy documents that Fadner delivered to the Board's
7 inspectors also included the documents that were improperly altered within the hard
8 copy work papers shortly before the Board's Inspection field work began.
9 Respondents did not advise the inspectors that any of these documents were
10 improperly created, backdated, added to the work papers, or altered in December
11 2010.

12 36. As a result of the conduct described above, Respondents violated PCAOB Rule
13 4006, *Duty to Cooperate with Inspectors*, and AS3, *Audit Documentation*."

14 13. As a consequence of the foregoing conduct, as more particularly described in the
15 PCAOB's Order, Respondent was (i) censured pursuant to Section 105(c) of the Sarbanes-Oxley
16 Act of 2002, as amended (Act), and PCAOB Rule 1001(p)(i), and (ii) suspended for one (1) year
17 from being an associated person of a registered public accounting firm, as that term is defined in
18 Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i).

19 CAUSE FOR DENIAL OF APPLICATION

20 (Discipline by the PCAOB)

21 14. Respondent's application is subject to denial under sections 475, subdivision (a)(4),
22 and 480 subdivision (a)(3)(A) of the Code in that she was disciplined by the PCAOB, discipline
23 that is substantially related to the qualifications, duties, and functions of a Certified Public
24 Accountant (CPA), and which conduct would be grounds for discipline under section 5100,
25 subdivision (l) of the Code for a licensed CPA.

26 PRAYER

27 WHEREFORE, Complainant requests that a hearing be held on the matters herein alleged,
28 and that following the hearing, the California Board of Accountancy issue a decision:

1. Denying the application of Jyothi Narayan for a Certified Public Accountant
Certificate; and

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2. Taking such other and further action as deemed necessary and proper.

DATED:

July 10, 2017

Patti Bowers
Executive Officer

PATEL BOWERS

Executive Officer

California Board of Accountancy

Department of Consumer Affairs.

State of California

Complainant:

SD2017704436

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